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THE REGIONAL DIMENSION:

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES

Report by the Director-General

Summary

Reports on progress made in continuing to accord highest priority to least developed countries in programmes of the Organization, as requested by the General Conference in its resolution GC.4/Res.9, paragraphs 3 and 4, and on action taken to implement the Industrial Action Programme adopted in resolutions GC.4/Res.10 and GC.4/Res.5.

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Introduction

1. In its decision IDB.11/Dec.13 the Industrial Development Board requested the Director-General to report to the fifth session of the General Conference on the implementation of Conference resolutions GC.4/Res.9 and GC.4/Res.10. Resolution GC.4/Res.9, within the context of the Paris Declaration and the Programme of Action of the Second United Nations Conference on the Least Developed Countries, calls upon the Director-General (a) to continue to accord highest priority to the least developed countries (LDCs) in programmes of the Organization including, in particular, the use of funds from the Special Industrial Services, the Industrial Development Fund and other resources available to UNIDO; and (b) to develop and strengthen key priority sectors in the medium-term plan of UNIDO within the context of the implementation of the Programme of Action. In resolution GC.4/Res.10 the Conference adopted the Industrial Action Programme for the Least Developed Countries (reproduced in document PI/114) as the basis for development and implementation of technical cooperation projects and programmes between UNIDO and LDCs in the 1990s.

2. Since 1991, a concerted effort has been launched to programme and utilize available funds allocated to least developed countries in

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accordance with the priorities set out in documents PI/114 and GC.4/40. Accordingly, a UNIDO-wide action was undertaken to prepare programmes and projects for consideration under various sources of financing. Emphasis was placed on the areas highlighted in the Industrial Action Programme, i.e.: human resource development; industrial development in rural areas; review of macroeconomic conditions and mobilization of financial resources; development of industrial, service, scientific and technological base with the focus on rehabilitation, privatization, small- and medium-scale industries, transfer of technology, transport and communications, and environment and energy; integration of women in industrial development; System of Consultations; international economic cooperation; and arrangements for implementation, follow-up, monitoring and review of the Industrial Action Programme. In all these areas the approach of the integrated programme strategy involving mutually supportive activities is being applied. A report on recent activities relevant to the two Conference resolutions is provided below. Reference is also made to the Annual Report of UNIDO 1992, IDB.11/10, chapter III, paragraphs 56 to 62.

I. DEVELOPMENT OF HUMAN RESOURCES

3. The mobilization and development of human resources is considered a crucial factor in promoting sustained and increasingly self-reliant socio-economic development in the least developed countries. To enhance human resource development in developing countries, increased attention was paid during 1992-1993 to training needs as well as to formulating policies and strategies in this area and developing effective training systems at all levels.

4. In training activities developed for LDCs the main concern was to meet the challenges imposed by new technologies, such as the introduction of computers as an integral part of the production process (CAD/CAM), as well as the acquisition of technology, skills and know-how for the effective transfer of technology. An example is the seminar held at Burkina Faso (9-14 November 1992) on computer-based training in the field of tools and spare parts production. Since 1991, growing numbers of participants from LDCs have attended fellowships and study tours initiated by UNIDO (13.8 per cent in 1991 and 14.5 per cent in 1992). Participants from LDCs in group training programmes represented 22.5 per cent in 1991 and 20 per cent in 1992. Three regional workshops were organized on identification, design, appraisal, monitoring and evaluation of technical assistance projects for anglophone (27-30 May 1991) and francophone (26-30 April 1993) African LDCs and the Asian LDCs (30 September-4 October 1991) in which a total of 58 decision-makers participated. A one-month seminar on the support programme to mobilize financing resources for industrial development in the least developed countries was completed at Bangkok, Thailand, for the Asian LDCs (15 February-12 March 1993) and will also be held at Arusha, United Republic of Tanzania, for anglophone (27 September-22 October 1993) and francophone African LDCs (4-29 October 1993). About 60 representatives from LDCs will have been trained through this support programme in cooperation with training institutions like the Asian Institute of Technology at Bangkok, Thailand, and the Eastern and Southern African Management Institute at Arusha, United Republic of Tanzania.

5. Activities for the industrialization of LDCs have further focused on locally available raw materials and valorisation of indigenous products as well as quality control and assurance. The type of projects undertaken ranged from institution building, strengthening infrastructural facilities and research capabilities to direct assistance to local industries. Considering that training of local counterparts, entrepreneurs and their staff is a key to the success of technology development and transfer in all industrial subsectors, projects in those subsectors placed particular emphasis on human resource development. During 1992, greater awareness of the importance of human resource development strategies was created during the preparations of the fifth programming cycle of the United Nations Development Programme (UNDP).

II. INDUSTRIAL DEVELOPMENT IN RURAL AREAS

6. An essential component of any rural development strategy consists in the establishment of forward and backward linkages between industry and the rural economy, as well as the promotion of non-agricultural and off-farm employment and income generation opportunities through small-scale and microindustries in rural areas. In 1992 UNIDO convened an inter-agency working group on industrial contribution to rural development. A study on rural industries and poverty alleviation was prepared for the meeting, which played a catalytic role in sharing the experience of various United Nations agencies.

7. Other activities included the development of a programme to promote small-scale industries in the Tigray Province of Ethiopia, and technical cooperation projects to promote rural industries in Guinea, Guinea-Bissau, Mozambique, Myanmar, Sierra Leone, Solomon Islands, Uganda and Zambia. These projects were intended to strengthen or develop national capacities at the government and/or at the private-sector level or strengthen the capacities of the entrepreneurs and employees themselves. Of these, the projects in Guinea, Mozambique, Sierra Leone, Solomon Islands, Uganda and Zambia established mechanisms for a revolving fund to channel financial resources to rural entrepreneurs for setting up new enterprises or expanding existing production facilities. The problem of collaterals received an innovative treatment in those projects to allow the flow of finance to rural entrepreneurs to increase in real terms. The projects also created national capacities to train entrepreneurs as well as workers in managerial and technical skill upgrading through appropriate institutions. Progress was made in enhancing community participation in rural industry development in Sierra Leone and Zambia.

III. MACROECONOMIC CONDITIONS AND MOBILIZATION OF FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT

8. A macroeconomic policy framework is intended to provide a basis for overcoming the structural bottlenecks confronting LDCs, leading ultimately to their industrial transformation and contributing to the eradication of poverty.

9. The development of "seed" programmes is a recent concept, now generally accepted, has proved to be an important initiative of UNIDO for LDCs (see also IDB.11/10, chap. III, paras. 57

and 58). The second phase of the "seed" programme to promote the traditional textile industry in West Africa consists of several complementary grassroots projects and activities such as training and product development, marketing, creation of a national tissuthèque, and financing of rural and micro-enterprises. A second "seed" programme for traditional woodworking industries is ongoing in Benin, Burundi, Rwanda and Togo. The informal sector being the main target, these programmes cover the priority areas of the Plan of Action for the LDCs i.e., rural development, development of micro and small-scale industries, human resource development, integration of women in industrial development, transfer of appropriate technology and skills and other complementary supports in the areas of access to markets for their exports. With a trust fund from Japan, the "seed" programme on the development of the traditional textiles in West Africa was implemented and the second phase is under consideration.

10. Numerous projects have been implemented by UNIDO to assist in setting up macroeconomic policy frameworks in the LDCs. In Bhutan, an important contribution was made by UNIDO to the elaboration of the country's seventh five-year plan for industrial development with emphasis on the private sector. In particular, the UNIDO team assisted the departments of trade and industry in capacity building. Industrial information systems for decision-making were implemented in Bhutan and Nepal, with local information networks becoming fully operational in the respective ministries of industry; in Bhutan assistance was also provided in implementing an industrial census. Three investment technical cooperation programmes were recently completed in Mali and advisory services were provided to the Governments of Gambia, Mali and Zambia on legal, institutional and fiscal measures aimed at the creation of an enabling environment for private investment. Assistance was extended to investment-related institutions in Guinea, Mali, Uganda and the United Republic of Tanzania, involving the establishment of data banks for investment promotion, and the identification of investment opportunities in targeted subsectors.

11. Advisory services were extended to Mali for the updating of its investment code and the investors' guide to Gambia was updated. As part of the UNIDO integrated technical cooperation programme financed by UNDP, the Nepal Investment Forum was held in 1992. Prior to the Forum, UNIDO assisted in the identification, formulation and screening of industrial investment projects.

12. As an outcome of the expert group meeting on the development of export processing zones (EPZ) held in Vienna in 1992, the establishment of new EPZs and the improvement of the performance of existing EPZs was facilitated. Technical cooperation activities in the area covered advice, pre-feasibility studies and training in the operation, management and promotion of EPZs. For example, a preliminary investigation on the viability of an EPZ in Vanuatu was completed; assistance in management, promotion and marketing techniques was provided to the EPZ in Togo; study tours were organized for EPZ planners such as those from Djibouti.

13. In a number of LDCs in Africa like Burkina Faso, Burundi, Madagascar, Mauritania, Niger and Rwanda, technical cooperation efforts focused, inter alia, on enhancing the participation of private sector entrepreneurs themselves so as to organize and provide the necessary institutional support mechanisms and the required services. An ongoing large-scale project initiated in Zaire in 1991 aims to create local consulting firms for private small- and medium-scale industries in several provinces that will provide services to entrepreneurs and become self-sustaining after three years. During 1992-1993, technical cooperation activities with particular focus on entrepreneurship development programmes continued to be implemented in Bhutan and Malawi, and were initiated in Nepal as a means to establish or expand small- and medium-scale industries.

14. In accordance with paragaph 3 of resolution GC.4/Res.9 special effort was undertaken to programme and utilize funds from the Regular Programme of Technical Cooperation, Industrial Development Fund (IDF), the programme for the Industrial Development Decade for Africa (IDDA) and the Special Industrial Services (SIS) programme for the benefit of LDCs. 1/ Thus, the Regular Programme financed several regional and interregional projects for LDCs, including: the preparatory phase of a programme on the promotion of traditional wood industry in LDCs of Western and Central Africa; the organization of workshops on the support programme for the mobilization of financial resources held at Arusha (see para. 4 above); and the regional project for the development of agro-industries in LDCs of Asia and the Pacific. From the IDDA resources, the total amount of projects implemented during the biennium 1992-1993 in LDCs is estimated at $2.68 million, covering mainly agro-related activities with emphasis on food industries and institutional support.

IV. DEVELOPMENT OF THE INDUSTRIAL SERVICE, SCIENTIFIC AND TECHNOLOGICAL BASE

A. Rehabilitation

15. The industrial rehabilitation and modernization programme of UNIDO continued to place emphasis on assistance in the commercialization of industry as well as on increasing the level of direct assistance to the private sector and the transfer of commercially-oriented management technologies and systems. A review was made of the programme's content and the type of assistance provided so as to take into account the competitive global marketplace and its realities and to provide inputs to the restructuring and privatization programmes. Emphasis was placed on profitability increase and on such issues as the strategic implications of quality in manufacturing and its effect on cost and competitiveness, the importance of software (methods, systems, work procedures, techniques), improving productivity before seeking costly hardware solutions, and the primacy of the human element in industry.

16. In Malawi, Uganda and the United Republic of Tanzania, UNIDO continued to provide assistance, primarily to agro-based and metalworking industries in productivity improvement, marketing and training (on-the-job, in-service and group

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1/ Detailed figures for project approvals and delivery for LDCs in 1992 are provided in IDB.11/10, appendix F.

training, workshops and overseas fellowships). Technical cooperation at the enterprise level represented the core of the programme's activities. A large-scale project in Togo contributed greatly to the survival and rehabilitation of some 20 enterprises that would have been otherwise forced to close down because of the current economic crisis affecting that country.

17. With regard to maintenance and repair, major emphasis was placed on the provision of spare parts through local manufacturing and to render the local production capacity utilization more efficient. Assistance continued to be given to Angola and Madagascar in the field of industrial maintenance and spare parts manufacturing, helping small-scale industries to utilize their production equipment and their investments to the maximum extent. In the light of a privatization strategy, the marketing departments concerned had to be particularly enhanced.

B. Development and transfer of technology

18. To achieve the largest possible impact on rural and social development, projects related to agro-based industries continued to focus on the development and adaptation of technology to suit the needs of the new small- and medium-scale industry structure in line with international market demands.

19. Of particular relevance to the special needs of the African LDCs is the project on enhancement of industrial production of cheap and enriched foods in Ethiopia, Malawi and the United Republic of Tanzania funded from the Industrial Development Decade for Africa (IDDA) the short term advisory services (STAS) programme. Technology was transferred by assisting in the commissioning of a coconut cream plant in the United Republic of Tanzania that increased the domestic availability of consumer goods and the country's net export earnings. In Sudan, advice continued to be provided on equipment needed to convert a dairy plant into one for processing local raw materials for domestic and export markets.

20. In order to increase technological support to LDCs, an African information network was initiated to strengthen local capabilities in providing information services to small and medium enterprises. At the enterprise level, support was provided to LDCs in the form of participation in the UNIDO Techmart programme where direct business contacts in technology transfer were facilitated. Numerous enquiries on technology and investment related matters in various sectors of industry continue to be processed, providing advice and technological information. Encouraged by the success of the project on cassava-processing technology (Sierra Leone, Togo and Zaire) where cassava processor prototypes were installed, a third phase of the project financed jointly by the IDDA programme and the Agence de Cooperation Culturelle et Technique is under implementation. The objective is to demonstrate and promote the introduction of this technology in four selected countries, including Togo and Zaire, to assist local engineering firms in those countries in acquiring the know-how for the design, manufacture, operation and maintenance of the technology. Inspired by the outcome of that project, the technology is being proposed in other LDCs in Asia as well as in Haiti.

21. Furthermore, under the IDDA STAS programme, an expert was fielded to identify local technologies for promotion in Lesotho, while another expert made an assessment of existing technological capacities and capabilities in Zambia as part of an integrated industrial sector programme. Mechanisms for promoting local technologies, inventions and innovations in Burkina Faso were put in place by a consultant provided under the STAS programme.

22. The 1992 Africa Industrialization Day (November 20) was dedicated to the building materials industry, reflecting the high priority assigned to that sector by African Governments. The ongoing projects in Chad, Madagascar and Zaire gave priority to the creation of small-scale manufacturing enterprises, often as joint ventures with equipment suppliers, and included training programmes for the entrepreneurs and their staff, providing practical hands-on experience in the selection of raw materials, the manufacture of products and the construction of low-cost housing units using the materials produced. A significant objective of those projects has been to strive for a long-term self-sustaining process giving local building materials the prominent place in low-cost housing and institutional building they justly deserve. A demonstration plant for the quarrying and processing of marble was finished and commissioned in 1992 at Gulele, Ethiopia. The technology supplied will allow UNIDO to make a practical and effective demonstration of modern, but not overly sophisticated, production methods ensuring increased productivity, a higher yield of finished products per unit of raw material and an improved quality designed to open up larger export markets for the national marble industries in the country.

C. Environment and energy

23. The integrated industrial and environmental policy approach is being applied in a number of LDCs that requested assistance of that nature, including pollution control, as in Nepal. In Angola, following the implementation of a large-scale project in the Southern African Development Community (SADC) countries for the establishment of a regional petroleum training centre, a study was undertaken to assess the capabilities of an existing centre in the country and the possibility of its expansion to meet the needs of SADC countries in the environmental and energy sectors. The study also gives due attention to the utilization of local resources of energy as well as the development of human resources. In Sudan an economic feasibility study is being undertaken for the efficient energy use of charcoal briquettes from cotton stalk as an alternative to fuel woods.

D. Privatization

24. Some of the technical cooperation activities aimed at private sector development are described in paragraph 13 above. Through a project that was approved in mid-1993, UNIDO is also providing technical assistance to the Government of Sudan for the planning and execution of extensive privatization programmes within a programme financed by the World Bank. The UNIDO project constitutes the "core" part of that programme. Furthermore, under the System of Consultations, a regional workshop on privatization policy strategy and practice in the context of LDCs was held at Dar-es-Salaam, United Republic of Tanzania, in September 1993, for selected English-speaking LDCs, and a similar

one is to take place in November 1993 in Burkina Faso for selected French-speaking LDCs. The goal of the workshops is to enable the participants to acquire a structured knowledge of privatization policies and modalities within the framework of macroeconomic stabilization measures and to prepare a plan of action for Governments and UNIDO in terms of technical cooperation.

E. Subsector specific activities

25. Reflecting the increasingly integrated and up-front approach, UNIDO's Special Programme for the Industrial Development of Asia and the Pacific has concentrated its limited resources on the review of constraints and development cooperation activities in two major industrial subsectors in the LDCs of the region: agro-related metalworking industries and agro- and food-processing industries. Funds were mobilized to start advisory services in agro-related metalworking industries in Bangladesh, Bhutan, Cambodia, Myanmar and Western Samoa linking these countries with the established sources of technology through the Regional Network of Agricultural Machinery. In food-processing industries, a constraint analysis has been completed for each LDC in the region and a dialogue is continuing with the respective Governments on the priorities and proposed project concepts that will be elaborated and submitted to the donor community for consideration.

26. As a follow-up to the Regional Consultation on the Fisheries Industry for Asia and the Pacific Island Countries, held in December 1991, and in accordance with requests made by participants, a workshop on quality and hygiene regulations in the fisheries industry was organized by UNIDO and included five participants from least developed countries. In that context, guidelines and advice were given to LDCs on the quality and hygiene standards demanded by, as well as other measures required in response to, new European Community regulations.

27. Apart from the regional activities under the Special Programme, subsector specific activities at the country level are also moving from the industry level to integrated planning, policy, support services and feasibility studies. An example of such an approach is the textiles industry subsector in Bangladesh in which UNIDO first carried out a detailed study on the potential of strengthening backward linkages with the ready-made garment industry and subsequently, after consultations with appropriate authorities and enterprises, formulated a programme with components addressing human resource development, quality control, design, investment aspects and technical troubleshooting, for joint financing between multi- and bilateral sources.

V. INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT

28. An important means of achieving the fulfilment of basic development goals is by providing women with the opportunity to increase and improve their contribution to economic development. In Malawi and Nepal, the feed-forward and feedback mechanisms of the UNIDO integrated approach addressed pilot activities catering to specific target groups in priority industrial sectors. Those activities were directed exclusively towards women entrepreneurs in an effort to establish role models of successful women entrepreneurs and of viable new business opportunities. Projects targeting women highlighted the development of female entrepreneurship and the dissemination of environmentally sound technologies to benefit women. Efforts continued to be made for the development of small-scale integrated rural activities recognized as an important factor for the promotion of the private sector in developing countries, with an increasing integration of women in the production process as in the integrated women-in-development project, Shendi, Sudan, approved in 1993.

VI. OTHER ACTIVITIES

29. In addition to the activities described under the previous headings, UNIDO offered technical cooperation to a number of LDCs in establishing chambers, federations and associations of industry such as the Chamber of Commerce, Industry and Agriculture of Guinea and the National Federation of Chambers of Commerce and Industry in Nepal. Assistance to private industry associations has been given to the leather industry associations in Malawi and the United Republic of Tanzania.

30. The activities indicated above are not exhaustive. They illustrate, however, UNIDO's efforts and initiatives to implement the Industrial Action Programme for the Least Developed Countries and to comply with General Conference resolutions GC.4/Res.9 and GC.4/Res.10. In the context of these resolutions, UNIDO has published a report "Industry in the Least Developed Countries - Structure and Development" (ID/384(SPEC.)), based on the studies carried out for the workshop on the industrialization of LDCs, the Industrial Plan of Action and the Industrial Action Programme for LDCs.

VII. ACTION REQUIRED OF THE CONFERENCE

31. The General Conference may wish to take note of the present report.